

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 969 (Delegate Morgan, et al.)
Ways and Means

Maryland School Resources Conservation Program

This bill establishes a Maryland School Resources Conservation Commission in the Maryland State Department of Education (MSDE). The commission is authorized to provide educational assistance grants to eligible parents and guardians for the cost of tuition or equivalent fees incurred by a child attending a public or nonpublic school in the State. MSDE is required to calculate the amount of cost savings that results from the transfer of students from public to nonpublic schools and to distribute the amount to the commission.

This bill takes effect July 1, 1996.

Fiscal Summary

State Effect: General fund administrative expenditures could increase by \$98,300 in FY 1997; future year administrative expenditures reflect inflation. Special fund revenues could increase by an indeterminate amount depending upon the level of private contributions made to the program. State expenditures for educational assistance grants could increase by a significant amount beginning in FY 1998.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures*	98,300	130,600	134,700	138,900	143,200
Net Effect	(\$98,300)	(\$130,600)	(\$134,700)	(\$138,900)	(\$143,200)

Note: () - decrease; GF - general funds; FF - federal funds; SF - special funds

*Reflects administrative expenses only.

Local Effect: Indeterminate effect on local expenditures and revenues.

Fiscal Analysis

Bill Summary:

Commission's Membership and Staff

This bill provides for the following:

- Establishes a five-member Maryland School Resources Conservation Commission;
- Members' terms are set for four years;
- Members may not receive compensation but are entitled to reimbursement for expenses; and
- Chairman of the commission may appoint an executive director and may hire a consultant on a contractual basis to assist with fund-raising from private sources.

Commission's Responsibilities

The commission's duties are as follows:

- Accept State and local funds to support the program as calculated by MSDE on the basis of cost savings generated by the net transfer of students from public to nonpublic schools;
- Solicit and accept private funds to start the program and to assist low-income families with tuition, school supplies, and transportation;
- Establish eligibility procedures for parents to receive assistance grants; and
- Establish a parent/guardian information system.

Educational Grant Eligibility Criteria

Individuals may receive an educational assistance grant if:

- The child has been enrolled for a full academic year in a State school that requires tuition payment or equivalent fees;
- The child was enrolled in a public school for at least three consecutive years or entered the first grade at a nonpublic school after July 1, 1996; and
- The parent's gross family income does not exceed \$75,000 in the calendar year of the student's enrollment.

An educational assistance grant is calculated as follows:

- The educational grant cannot exceed the actual tuition or equivalent fees paid at a public or nonpublic school; and
- 50% of the basic current expense per pupil or 75% of the basic current expense per pupil if the student has a disability.

Background: Approximately 156,000 students attended nonpublic schools in Maryland in 1994, representing 17% of all students. Schools operated by the Baltimore Catholic Archdiocese represent approximately 34,000 students. The archdiocese reports an average per pupil cost of \$2,500, with tuition for many elementary students ranging between \$2,000 and \$3,000. The Association of Independent Maryland Schools (AIMS) reports an average tuition for its member schools of around \$7,700 for elementary students and \$9,500 for high school students. In comparison, MSDE reported an average statewide cost per student of \$6,100 in 1995. It is important to note that many private schools, especially parochial schools, have parent organizations that subsidize the school's operation, thereby keeping both costs and tuition low.

State Effect: State education aid under the basic current expense formula is based on student enrollment in the prior year. Accordingly, any reduction in student enrollment pursuant to this legislation will reduce State aid expenditures in the following year. However, the potential cost savings from reduced enrollment could be partially or fully offset by the disbursement of educational assistance grants.

The educational assistance grant cannot exceed the amount of tuition or 50% of the basic current expense per pupil for regular students. The basic current expense per pupil in fiscal 1998 is estimated at \$3,721, of which \$1,892 is State funds and \$1,829 is local funds. Since the basic current expense per pupil amount is lower than most tuition payments for most private schools, the State would be responsible for paying 50% of this amount to eligible parents. In addition, it is estimated that approximately 95% of families in Maryland have gross incomes of less than \$75,000 and would be eligible to receive the grants. The State and local share of the educational assistance grant for fiscal 1998 is illustrated below:

Fiscal Year	State Share	Local Share	Total Grant
1998	\$946	\$915	\$1,861

The actual impact on State expenditures will depend upon the number of children receiving educational assistance grants and whether they would have attended a public school. Currently, approximately 11,000 first graders enroll in nonpublic schools each year. This bill would enable their parents to receive an educational assistance grant of approximately \$1,861 in fiscal 1998, even though they would not have attended a public school. Accordingly, general fund expenditures would increase by approximately \$10.4 million for education grants with no corresponding reduction in public school operating or capital expenditures. This estimate is based on 95% of the families becoming eligible for the grants, with the State paying \$946 per grant.

However, the State would save approximately \$946 for each student that would have attended a public school but went to a nonpublic school instead because of this bill. Currently, nonpublic school enrollment is growing at a faster rate than public school enrollment. Between 1989 and 1994, public school enrollment increased by 13% compared to a 17% increase in nonpublic school enrollment. Assuming, the annual growth rate for nonpublic school enrollment doubles from 3.4% to 7%, an additional 5,500 students would attend a nonpublic school. This would save the State approximately \$5.2 million in State aid expenditures. However, the actual number of students leaving the public school system and attending a nonpublic school cannot be quantified at this time.

General fund administrative expenditures could increase by an estimated \$98,343 in fiscal 1997, which reflects a three-month start-up delay. This estimate reflects the cost of hiring an Executive Director, an Office Secretary, and a contractual fund raiser to administer the Maryland School Resources Conservation Program. It includes salaries of \$46,620, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	\$62,302
Contractual Services	30,158
Operating Expenses	<u>5,883</u>

Total FY 1997 State Administrative Expenditures \$98,343

Future year administrative expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

Local Effect: Local government expenditures would increase by \$9.6 million in fiscal 1998 due to the additional 11,000 first graders receiving an educational assistance grant, with no corresponding reduction in public school operating or capital expenditures. This estimate is based on a local grant of \$915. However, local education expenditures could decrease by \$2,460 for each student that would have attended a public school but went to a nonpublic school instead. This estimate is based on a projected \$3,375 local average per pupil instructional costs minus the \$915 grant amount.

Additional Comments: The fiscal 1997 State capital budget includes \$133 million for school construction projects. However, this amount is \$141 million less than requested by the local boards. The State and local governments share the cost of school construction projects, with the State share ranging from 50% (for the wealthiest school systems) to 80% (for the less affluent school systems). In addition, approximately 80% of school facilities were built or renovated prior to 1980 and are expected to require upgrading in a few years. Accordingly, any new school construction or renovation project that is no longer required

pursuant to this legislation would be supplanted with an additional project.

Information Source(s): Maryland State Department of Education, Department of Fiscal Services

Fiscal Note History: First Reader - March 12, 1996

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